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Annual Report of the Postmaster General * 1985

P 1.1:

Financial and Operating Highlights

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	Year Ended Sept. 30, 1985	Year Ended Sept. 30, 1984	Year Ended Sept. 30, 1983	Year Ended Sept. 30, 1982	Year Ended Sept. 30, 1981
Pieces of mail (millions)	140,098	131,545	119,381	114,049	110,130
Percent change	6.5	10.2	4.7	3.6	3.6
			(dollars in millions)		
Operating revenue	$27,736	$25,314	$23,582	$22,600	$19,133
Percent change	9.6	7.3	4.3	18.1	11.6
Public service appropriation	$ 0	$ 0	$ 0	$ 12	$ 486
Percent change	—	—	−100.0	−97.5	−41.3
Revenue forgone appropriation	$ 970	$ 879	$ 789	$ 695	$ 789
Percent change	10.3	11.4	13.6	−12.0	0.9
Total appropriations	$ 970	$ 879	$ 789	$ 707	$ 1,275
Percent change	10.3	11.4	11.6	−44.6	−20.8
Total operating expenses	$29,207	$26,357	$24,083	$22,826	$21,369
Percent change	10.8	9.4	5.5	6.8	10.1
Net income (loss)	($ 251)	$ 117	$ 616	$ 802	($ 588)
Percent change	—	−81.0	−23.1	—	91.8
Fixed assets (net of depreciation)	$ 5,065	$ 4,813	$ 4,462	$ 4,132	$ 3,995
Percent change	5.2	7.9	8.0	3.4	2.0
Equity (deficiency)	$ 58	$ 311	$ 112	($ 505)	($ 1,307)
Percent change	−81.2	178.0	—	61.3	−81.8
			(in units indicated)		
U.S. population January 1 (millions)*	237.8	234.9	233.3	231.0	228.8
Percent change	1.2	0.7	1.0	1.0	1.1
Pieces of mail per capita	589	560	512	494	481
Percent change	5.2	9.4	3.6	2.6	2.5
Operating revenue per capita	$ 116.64	$ 107.77	$ 101.08	$ 97.83	$ 83.61
Percent change	8.2	6.6	3.3	17.0	10.4
Accrued cost per piece of mail	20.85¢	20.04¢	20.17¢	20.01¢	19.40¢
Percent change	4.0	−0.6	0.8	3.1	6.2
Operating revenue per piece of mail	19.80¢	19.24¢	19.75¢	19.82¢	17.37¢
Percent change	2.9	−2.6	−0.4	14.1	7.7
Net income (loss) per piece of mail	(0.18¢)	0.09¢	0.52¢	0.70¢	(0.53¢)
Percent change	—	−82.7	−25.7	—	82.8
Employees	744,490	702,123	678,845	675,122	669,650
Percent change	6.0	3.4	0.6	0.7	0.4

1981 recast to reflect 1980 Census information.

Postmaster General's Letter to the Governors of the U.S. Postal Service

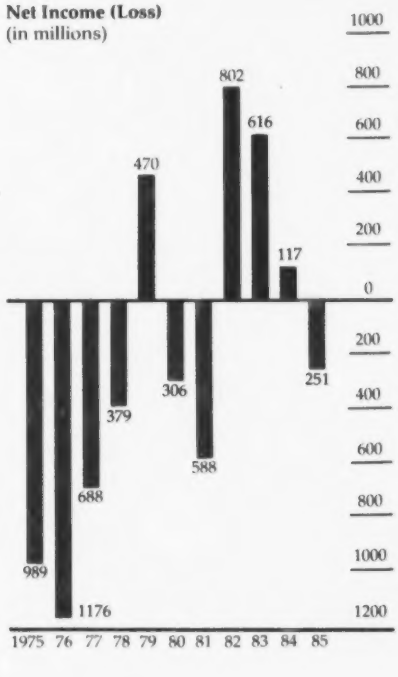
I felt very honored when the Governors of the Postal Service appointed me Postmaster General on January 6, 1986. There follows a brief analysis of the operations for the year ended September 30, 1985.

Nineteen eighty-five was a time of testing for the U.S. Postal Service. Serious service slippage and financial problems buffeted the organization early in the year. These challenges were met in a committed, professional and responsive way.

By the end of the fiscal year service had been restored to high levels and costs were brought under control.

In January 1985, the Postal Service faced the following operational conditions:

- Service performance was inconsistent;
- Expenses were over planned levels and rising;
- Overtime use in the field was in double digits.



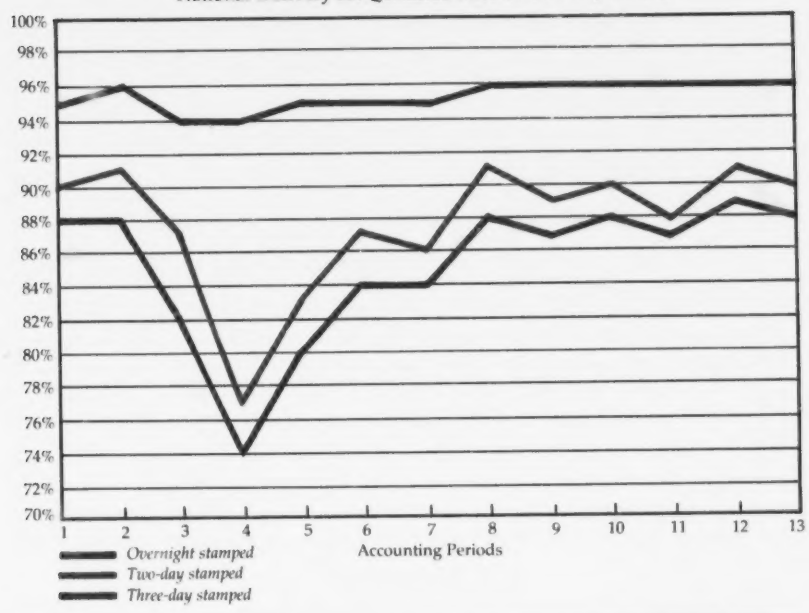
While much of this one-two punch of service decline and financial red ink was due to outside forces such as airline deregulation that disrupted scheduling, some inefficiencies had crept into the cost control efforts. The merger of second-class mail into the preferential network was also a factor.

Faced with serious problems on both the service and financial fronts, postal management made a vital decision. Service should not be sacrificed to cost reduction efforts. To do otherwise would have created an irreversible situation that would have caused damage to customers and the Postal Service itself.

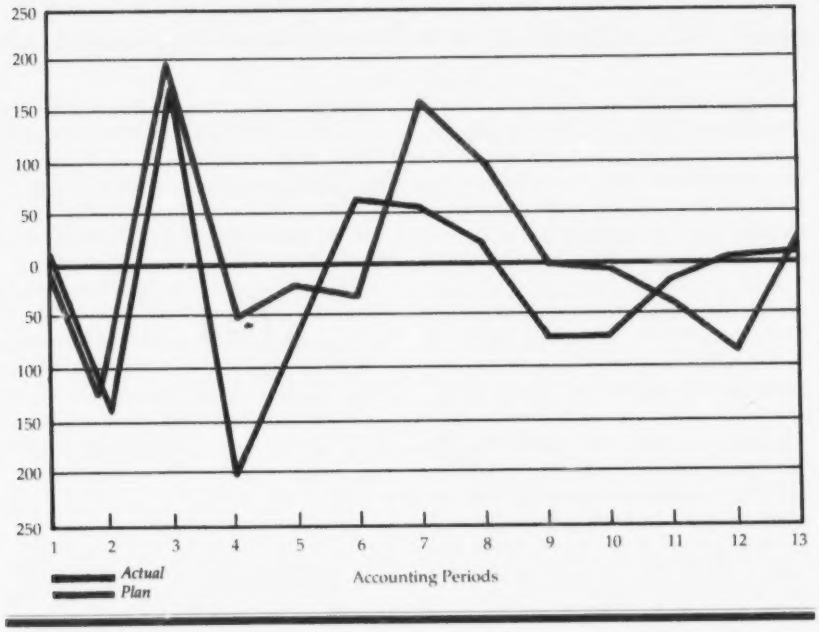
The severity of the service decline in January was reflected in performance figures. Overnight delivery of stamped First-Class Mail, historically strong, dipped to 94 percent. Delivery of mail to more distant destinations suffered the most, as airline deregulation had significant impact on the ability to move this mail by air. Stamped First-Class Mail committed to second- and third-day delivery slid to 74 and 77 percent, respectively. Express Mail Service was severely impacted.

Numerous strategies were put into place to establish more acceptable levels of service. Specific targets were set for originating and destinating First-Class stamped and metered mail. Service audits were conducted at the 100 largest facilities. Daily communications resolved regional and inter-regional problems, and numerous operational and transportation changes were set in motion. An Express Mail task force concentrated on reinforcing the consistency of the flagship overnight service and led to the establishment of an air contracting network that is still being expanded.

National Delivery for Qualified First-Class Mail, FY 1985



Net Income (Loss), FY 1985 (in millions)



Managers, postmasters, supervisors and postal people throughout the organization responded to the challenge. The collective efforts, plans and dedication of thousands of postal people launched a course of significant service improvements.

Year-end figures clearly record the extent of the service recovery. Performance in overnight, stamped First-Class Mail rose to 96 percent at year's end, while second- and third-day delivery, sensitive to air transportation, made strong recoveries to 88 and 90 percent. The Express Mail Service consistency rebounded, and, before the end of Fiscal 1985, on-time service performance had been restored to previous levels.

Indeed, service performance improved in almost every category of mail, and an effort is underway to continue this trend.

Postal finances presented no less a challenge than service in Fiscal 1985. Here, a nationwide cost containment program was successfully implemented, and it reduced the projected deficit of $500 to $750 million to $251 million at the end of the year. This brought the Postal Service to within one percent of breaking even in Fiscal 1985.

In previous years, workhours were used as a basis for budgeting. During Fiscal 1985 the process of changing to a dollar budgeting system was begun. This allows all managers to monitor the actual dollar costs of their ongoing and cumulative operations with greater accuracy and responsiveness.

READEX FICHE

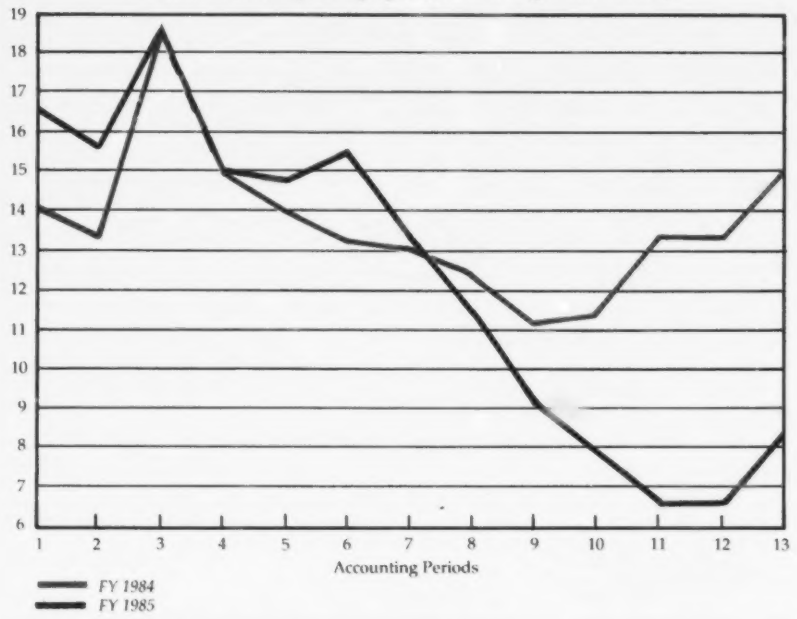
The Postal Service faced major unplanned costs as it coped with Fiscal 1985's financial problems. Costs to transport domestic mail by air ran $122 million over projected levels, and modifications to previously existing transportation systems necessary to stabilize service cost an additional $12 million. Additionally, the arbitration awards following an impasse in negotiations with the unions in 1984 and 1985 resulted in labor expenses that were $170 million more than expected.

The general rate adjustment that became effective on February 17, 1985 was not enough to overcome these extra costs. And while mail volume continued to increase, the rate of growth–and subsequent postal revenues–was lower than expected.

In May, an effort was begun to meet the critical financial challenges. It was mandated that steps taken to curb costs must not damage efforts to stabilize service. Strategies for reducing the deficit included specific targets for reducing non-personnel costs and support expenses.

Key to the cost control effort was the drive to reduce overtime. The arbitrated settlements of the 1984 contract negotiations allowed the hiring of new employees at entry rates which proved to be decisive in the cost avoidance effort.

Overtime Hours per Employee (total field regular workforce)*



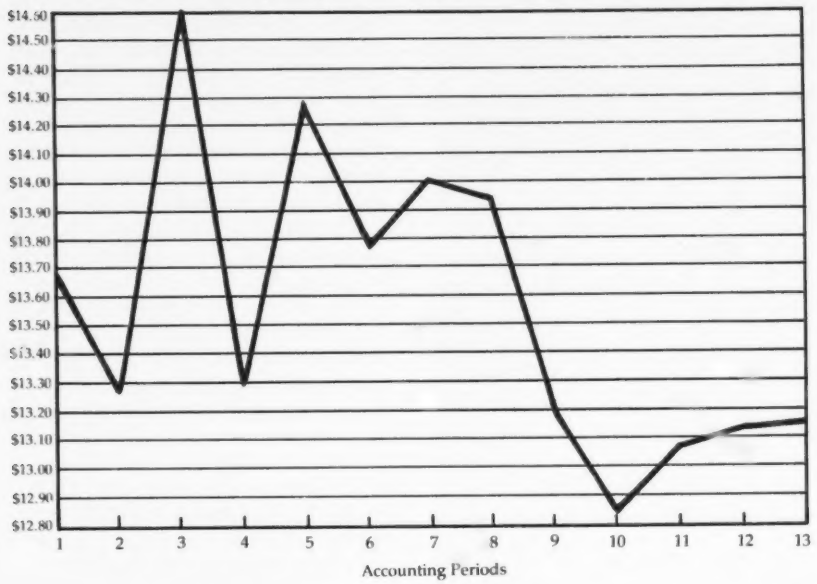
** This chart shows overtime hours per employee for all employees in post offices except postmaster leave/replacement and rural carrier relief employees.*

During the 1984 negotiations, the Postal Service tried to close the differential between higher Postal Service wages and those paid for comparable levels of work in the private sector. Arbitration awards established the terms and conditions of settlement affecting more than 600,000 postal employees–the largest such contract arbitrations ever conducted in the United States.

The arbitration panels recognized the existence of a wage premium and recommended the exercise of "moderate restraint" in postal wage increases. Under the new contract, the Postal Service pays incoming employees at levels closer to those found in the private sector. For example, most new employees begin work in the Postal Service at an average annual salary of $19,044, compared to $23,082 if the terms of the previous contract had remained in force.

Postal Service field managers were able to reduce overtime from 10.2 percent in accounting period 4 to 5.8 percent in accounting period 13. This reduction in overtime usage, along with the lower pay levels for new employees, resulted in a dramatic reduction in the cost of paid hours per employee, from $14.27 in accounting period 5 to a

Paid Hour Costs–Bargaining and Casual (adjusted for pay increases and COLA)*



** This chart shows paid hour rates by accounting period for post office bargaining and casual employees, excluding postmaster leave/replacement and rural carrier relief employees. The rates are adjusted to remove the impact of salary and COLA increases so that the change in rates expressed in constant dollars can be compared over time.*

low of $12.85 in accounting period 12 and was at $13.16 at the end of the fiscal year. Overtime per employee dropped by 50 percent when compared with Fiscal 1984, a cost avoidance of $152 million in Fiscal 1985.

Regarding mail volume, the 140 billion pieces of mail sorted and delivered by the Postal Service in Fiscal 1985 represented a 6.5 percent increase over Fiscal 1984. Third-class volume continued to grow, from 48.3 billion pieces in Fiscal 1984 to 52.2 billion in Fiscal 1985–an 8.1 percent increase.

First-Class Mail rose to 72.4 billion pieces, a 5.9 percent increase over Fiscal 1984. It remains the largest single class of mail.

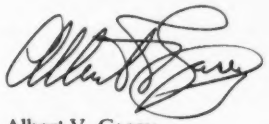
Much of the increased volume in both categories of mail was in Presort mail, a postal program that offers a discount on mail sorted to ZIP Codes before it is deposited in the mailstream. Presort saves mailers millions of dollars each year, and this worksharing approach reduces handling costs within the Postal Service.

Express Mail Service, the Postal Service's premier expedited mail service, continued to grow in volume. There were 45.3 million pieces sent in Fiscal 1985, a 3.1 percent increase over Fiscal 1984. Express Mail International Service continued to grow at a rate exceeding 20 percent a year.

Electronic Computer-Originated Mail (E-COM) was terminated on September 3, 1985 because volume was not high enough to provide the revenues needed to support the service.

Fiscal 1985 challenged the organization to deal with the unexpected. The Postal Service showed that as an institution it has the know-how, flexibility and commitment to meet new challenges. Postal people, determined to maintain the reputation and integrity of the Postal Service, have put the organization in a strong position to make further gains in the new fiscal year.

The continuing thrust will be to provide quality service while controlling costs.



Albert V. Casey
Postmaster General
January 1986

"My thrust will be to imbue postal people with the thought that we must be customer driven, that we must go to any length to provide customers with quality service at reasonable prices, and that we must do so in a friendly manner."

Postmaster General's Speech, January 30, 1985, Sloan Fellows

The Postal Service worked with the Military Postal Service Agency, Department of Defense, to deliver 99.7 million pieces of mail to service personnel overseas in 1985.

(Top) The 3,500 integrated retail terminals installed in 1985 help postal clerks give customers accurate information more quickly. An additional 1,500 terminals will be installed in Fiscal 1986.

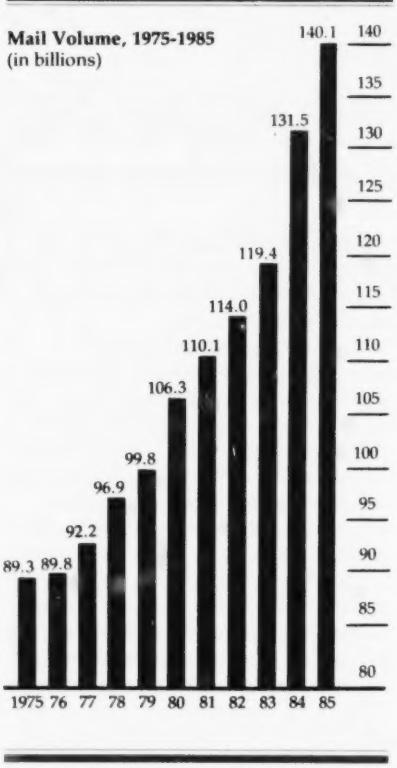
Quality Service

Improved service to the customer was reaffirmed as the Postal Service's number one goal in 1985. This emphasis and several initiatives during the year illustrated renewed commitment to serve all customers more efficiently and effectively.

Fiscal 1985 marked the beginning of a program that visibly demonstrates the Postal Service's new emphasis on serving the customer. The general mailing public began to benefit from an effort to upgrade post office lobbies and retail window service operations. Central to this was the installation of approximately 3,500 computerized terminals at post office windows, giving clerks and customers quicker access to accurate information on rates and services. The new equipment, which features visual display screens for both customer and clerk, helps reduce waiting times in post office lobbies. In Fiscal 1986, 1,500 more terminals will be installed, and software will be extended to include information on Express Mail Service and post office boxes. In addition, new post office lobbies are being designed to improve traffic flow and create attractive, uncluttered environments for customers.

Part of the drive to put the customer first involves the intangible of striving to serve every customer in a friendlier manner. During 1985, increased emphasis was placed on developing employees' interpersonal skills, so they will courteously provide customers with thorough information on postal products and services. A "lobby sweep" program is being used in many offices in which postal supervisors expedite service to waiting customers by providing information and needed forms.

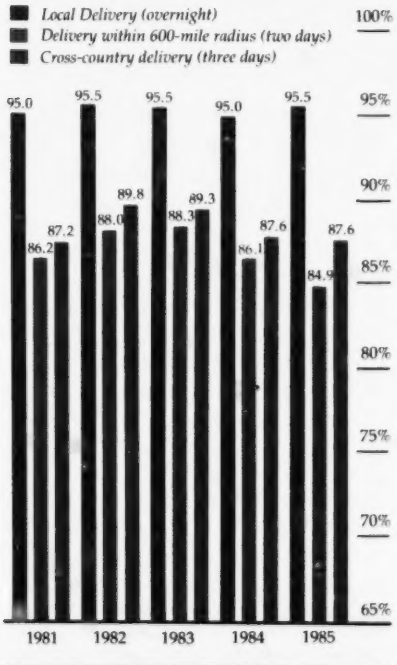
Express Mail Service completed its 15th year of continued growth in volume. One significant service innovation was the introduction of a 5-pound flat rate to make mailing more convenient and economical. Although heavily impacted by the deregulation of the airline industry, Express Mail deliveries



were at 94.3 percent on-time performance at year's end. As a way to cope with service problems caused by airline disruptions, the Postal Service awarded contracts for an efficient hub operation in Houston to transport Express Mail, Priority Mail and First-Class Mail during prime time periods. The program involves 10 major air mail facilities, and five more will join the hub in Fiscal 1986. Two task forces were established to analyze and improve air contracting methods, with an eye toward implementation of task force recommendations in 1987.

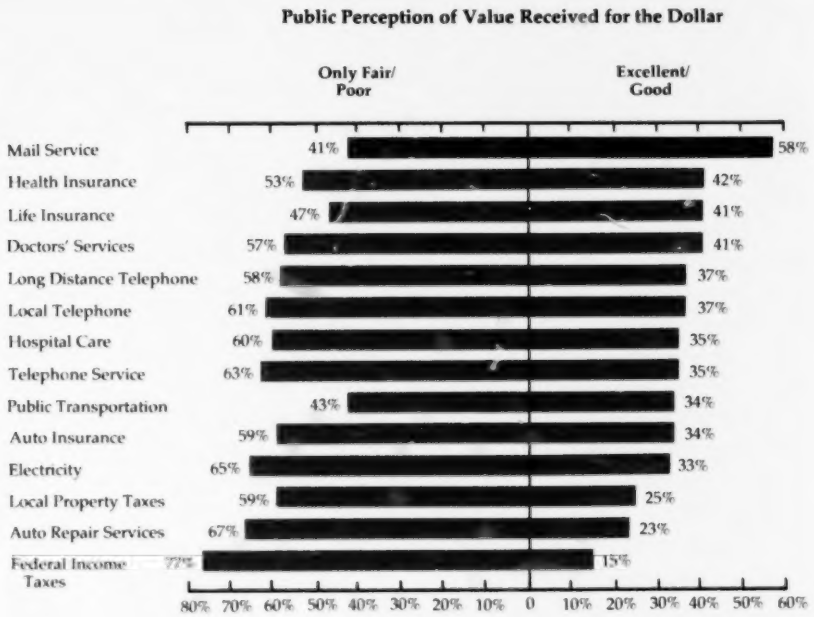
Thousands of cities are on the Express Mail next-day network, and International Express Mail Service was expanded from 34 to 45 countries during the year.

National Delivery for Qualified First-Class Mail, 1981-1985



To expedite service, postal supervisors provide information and needed forms to waiting customers. New self-service stamp machines (background) also speed service.

The Postal Service awarded contracts for a hub operation in Houston, Texas, to transport Express Mail, Priority Mail and First-Class Mail during prime time periods.


Public Perception of Value Received for the Dollar
Only Fair/ Poor
Excellent/ Good
Mail Service 41% 58%
Health Insurance 53% 42%
Life Insurance 47% 41%
Doctors' Services 57% 41%
Long Distance Telephone 58% 37%
Local Telephone 61% 37%
Hospital Care 60% 35%
Telephone Service 63% 35%
Public Transportation 43% 34%
Auto Insurance 59% 34%
Electricity 65% 33%
Local Property Taxes 59% 25%
Auto Repair Services 67% 23%
Federal Income Taxes 77% 15%
80% 70% 60% 50% 40% 30% 20% 10% 0 10% 20% 30% 40% 50% 60%

The above chart is based upon a July 1985 Roper Report.

The American public indicated it thought well of the Postal Service. Once again, an independent poll found the public ranked the Postal Service highest among 14 services in terms of "value for the dollar." The public also gave the Postal Service the highest favorable rating among 12 federal departments.

Approximately 1.2 million post office boxes were installed in 1985, bringing the total number available to 16.1 million. In addition, funding was approved for the procurement of 11,220 stamp vending units in postal facilities. The Postal Service will begin installing these machines early in Fiscal 1986.

A service offering convenience to customers, Stamps-By-Mail, was expanded during Fiscal 1985. New forms stressing the ease of purchasing stamps by mail will be available in 1986.

Improvements also were made in international service. The Postal Service worked with the Canada Post Corporation to upgrade service between the United States and Canada. The International Surface Air Lift (I-SAL) network carries printed matter to locations in 39 countries and will be expanded during the next fiscal year. INTELPOST service, which provides rapid transmittal of facsimiles of letters and other documents, expanded from 13 to 28 countries in 1985. The system was converted from a store-and-forward message system to the more cost efficient dial-up system used by all other countries on the network. Currently 145 post offices in 12 metropolitan areas accept INTELPOST messages.

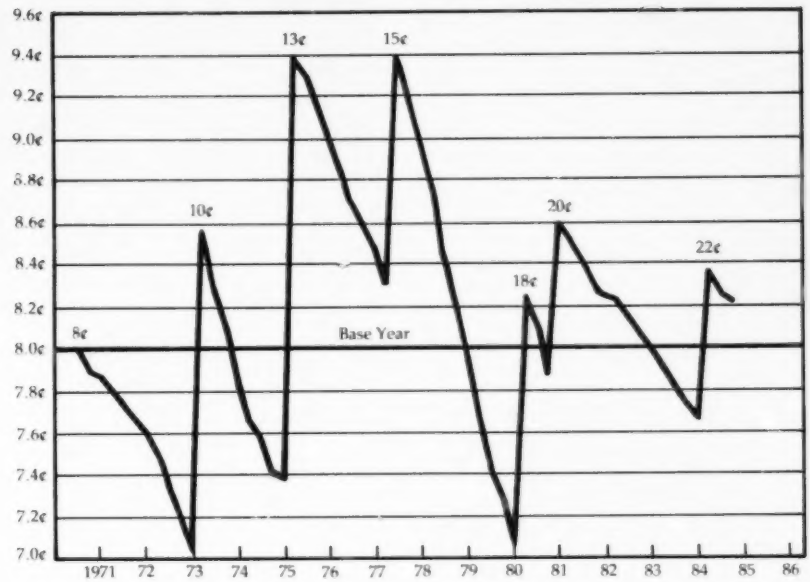
The number of city deliveries increased to 73.8 million in 1985, up 1.35 million over the previous year. Rural deliveries also rose from approximately 16.6 million to 17.4 million.

In Fiscal 1985, the Postal Service began the Youths Exhibiting Stamps (Y.E.S.) Program, which encourages young philatelists to show their collections at state, regional and national levels. National winners will exhibit their stamps at AMERIPEX '86.

The U.S. Postal Inspection Service shielded the public against those who would use the mails to defraud and cheat consumers. Postal inspectors conducted 1,624 fraud investigations in 1985 and obtained 886 convictions. They increased efforts to deter child pornography sent through the mails and conducted a national publicity campaign warning small businesses about collect-on-delivery mail fraud. In civil actions, administrative law judges issued 58 false representation orders and entered 361 consent agreements. Postal regulations were revised to permit photographs of missing children to appear on detached mailing cards for bulk business mail.

Philatelists were well served during the year. There were 63 stamp and stationery items issued, generating $139.9 million in revenue from sales to collectors. However, philatelic revenue was down 25.2 percent from last year, when Olympics stamps and stationery were issued.

Real Price of a First Class Stamp*



*Price deflated by Consumer Price Index.

Five laboratories located throughout the country assist postal inspectors in analyzing evidentiary material needed for identifying and tracing criminal suspects and in providing expert testimony for cases brought to trial.

"We need managers, postmasters and supervisors who recognize that postal people are not just a *labor* resource, but also a *thinking* resource."

Postmaster General's Speech, September 21, 1985, Career Awareness Conference

The energy-efficient design of the new general facility in Phoenix, Arizona, which opened in 1985, has been recognized by the U.S. Department of Energy and the Electric League of Arizona.

The Postal Service's centralized delivery program saves millions in delivery costs each year, helping to keep rates stable longer. Delivery to a centralized receptacle costs the Postal Service, on average, only half as much as delivery to a customer's door.

The Postal Service operates a fleet of 145,811 vehicles. In Fiscal 1985 it began testing vehicles with a 24-year lifespan.

Efficiency

The pairing of modern applied technologies with a committed, motivated work force will continue to improve postal efficiency by serving as the cornerstone for quality service and controlled costs.

An essential element of the Postal Service's automation program is the ZIP + 4 code. ZIP + 4 codes have become the grid on which distribution and delivery operations for all classes of mail will be based. The expanded ZIP Code enables the Postal Service to use automation to sort mail to the letter carrier route, reducing both labor costs and sorting errors. Future plans will extend this sorting to carrier segments for further efficiencies and cost savings. The Postal Service's ultimate goal is to have a machine-readable ZIP + 4 code applied to every piece of mail as early as possible in the mailstream.

The volume of ZIP + 4 coded mail rose to 6.2 billion pieces in Fiscal Year 1985, a 180 percent increase over the previous year. Although volume growth has been steady, it has not reached the original projected levels. At the same time, technological advancements have increased the memory capacity and reduced the costs of multiline optical character reader (OCR) equipment. For these reasons, the Postal Service decided in Fiscal 1985 to begin competitive testing for the acquisition of up to 250 multiline OCRs and conversion of 406 single-line OCRs to multiline OCRs.

The multiline equipment can read an entire address and, after searching a computerized directory, determine the ZIP + 4 code for that address and print the related bar code for subsequent sortation.

The Postal Service currently has 248 bar code sorters (BCSs) in place, and an additional 452 BCSs will be installed between 1986 and 1989. Research is proceeding on such technologies as wand-readers and laser scanning systems, and as they are developed, the Postal Service expects to automate the sorting of irregularly shaped mail bearing ZIP + 4 bar codes.

Technology has been applied with good results to mechanize another type of mail. The 238 flat-sorting machines installed in 125 postal facilities continue to function very effectively, sorting up to 8,000 large envelopes and magazines per hour.

Over the past several years, the increasing proportion of mail receiving mechanized and automated sortation and the strong growth of mail presorted by mailers before delivery to the post office have led the Postal Service to seek a productivity measure that is more responsive to changing business conditions. In the past, the Postal Service used a ratio of total mail pieces to total labor hours as a gross measure of productivity. However, a new measure, total factor productivity, computes total input and output across different categories of mail classes and types of

resources and essentially standardizes them. The standardization process uses a weighting procedure, which allows different mail classes such as presorted and nonpresorted mails to be added together according to their relative attributable costs, to form a measure of total output. Similarly, inputs such as capital, labor and materials are aggregated to form a standardized total input. This standardizing procedure allows for changes in mail mix and levels of mechanization, automation and facilities improvement, and gives a more relevant productivity picture.

The total number of households and businesses to which mail was delivered increased from 72,412,198 in Fiscal 1984 to 73,765,005 in Fiscal 1985. The delivery function accounts for 39 percent of total USPS costs and is the area most resistant to economizing. The estimated annual per delivery cost was $105 for door-to-door delivery, $83 for curbline service and $53 for each centralized receptacle. In one effort to hold costs down while providing convenient and safe service, 100,000 neighborhood delivery and collection box units were installed in 1985, increasing the total to 315,000.

The optical character reader in use at the Chicago Post Office sorts mail at a rate of 33,000 to 38,000 pieces per hour compared to 1,800 pieces per hour when done by letter sorting machine and 800 per hour by hand.

Modern facilities, in addition to providing more pleasant work environments, make an important contribution to operational efficiency. In 1985, the Postal Service committed $749.8 million in capital funds for the construction, improvement and repair of postal facilities, and 212 postal-owned buildings were completed at a cost of $287 million.

During Fiscal 1985, durability tests were conducted on three prototype vehicles as part of a program to replace the existing 1/4- and 1/2-ton fleet with vehicles having a 24-year life expectancy. The Postal Service plans to order 99,150 of these vehicles.

"I want to foster an atmosphere where individuals at all levels feel good about their work, seek to do the best job they can, and participate in developing ideas to enhance their jobs and their environments."

Postmaster General's Speech, July 11, 1985, Presidential Exchange Executives

People

The Postal Service faces increased competition and greater challenges in the years ahead. Its future success depends to a large part on encouraging and allowing postal people to do the best job possible, instead of just getting the job done.

Fiscal 1985 demonstrated clearly how much personal effort counts. Postal people across the country, at all levels of the organization, worked together to overcome obstacles to good service performance while at the same time dramatically cutting costs. The improved picture at the end of the year is a tribute to that effort, and it provides a solid base for future improvements.

The Postal Service, like many organizations in government and the private sector, employs a changing labor force.

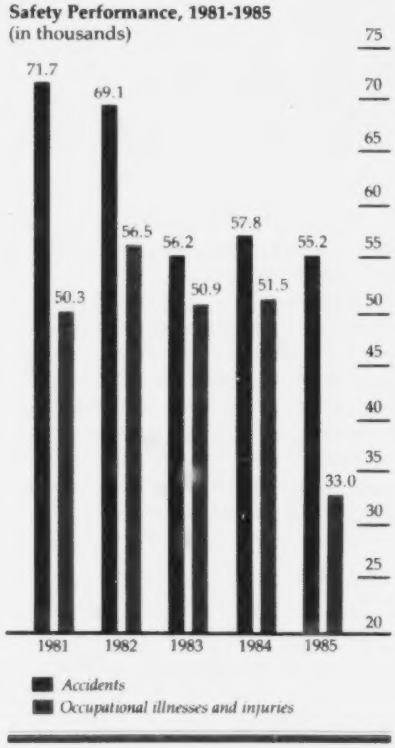
As postal workers born in the 1920s and 1930s retire, they are replaced by "new values" people born in the 1950s and 1960s. These newer postal people tend to want more participation in determining goals and methods of the job. To respond to the needs of a changing workplace, the Postal Service is encouraging postal supervisors, postmasters and managers to be more participative in the way they manage people. New processes are in place to help accomplish this.

Most significant is the employee involvement/quality of work life process, expanded in 1985 and now in place in most management sectional centers. Work groups are composed of craft and supervisory personnel who make recommendations to improve postal operations. The National Association of Letter Carriers, the National Rural Letter Carriers' Association and the National Post Office Mail Handlers are active partners in this effort.

On several other levels, the Postal Service strives to make the best use of its people.

• The commitment to affirmative action and equal employment opportunity continued during Fiscal 1985. Minority representation rose to 29.6 percent of the total work force, compared with 18.2 percent in the civilian labor force (1980 Census), and 24.8 percent at supervisory levels. The number of women employed rose to 203,900, or 28.5 percent of the total complement. In 1985, 20 percent of supervisors and managers were women.

Safety Performance, 1981-1985
(in thousands)



• The Postal Service has long recognized the abilities of disabled persons. The excellent work of Leslee C. Garvey, a clerk-typist in the Sioux Falls, South Dakota Post Office and the Postal Service's Outstanding Handicapped Employee of the Year in 1985, demonstrates the wisdom of this course.

• The Program for Alcoholic Recovery was expanded to become the Employee Assistance Program. It currently assists approximately 11,000 employees to combat alcohol and drug-related problems. In this program, postal managers, postmasters and supervisors are trained to recognize and refer troubled persons to professional counselors.

A new selection system for initial-level supervisors was introduced in Fiscal 1985 to fill vacancies more promptly and give local management greater autonomy in selecting supervisors.

A safe workplace is the right of all postal people. In 1985, the postal safety record continued to improve, with the exception of motor vehicle accidents. During Fiscal 1985, there were 55,208 accidents, 33,034 occupational injuries and illnesses and 19,678 lost-workday injuries. These figures represent a 4.5 percent decrease in accidents, a 7.3 percent decrease in occupational injuries and illnesses and a 9.3 percent decrease in the lost-workday rate from Fiscal 1984.

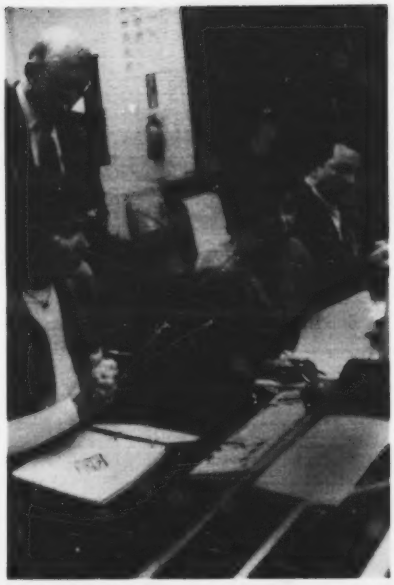
Motor vehicle accidents rose from 4.8 per million miles in Fiscal 1984 to 5.1 in Fiscal 1985. The Postal Service continues to offer safe driving programs and is instituting several initiatives to reverse this trend.

The National Rural Letter Carriers' Association joined the Postal Service

and National Association of Letter Carriers in "Carrier Alert" during Fiscal 1985. As part of the program, carriers notify assisting agencies when participating elderly or housebound individuals do not collect their mail. Intervention by alert carriers saved the lives of dozens of individuals during the past year.

The Postal Service encouraged employees to be active members of their communities. Through Partnership in Education, postal headquarters and local post offices "adopted" community schools. On their own time, employees tutored students and spoke to classes on subjects ranging from the use of computers to avoiding drugs.

(Right) In Fiscal 1985 the Postal Service emphasized training for automated mail processing equipment, industrial engineering and information systems operation and management.



(Below) The National Rural Letter Carriers' Association joined the Postal Service and the National Association of Letter Carriers in "Carrier Alert," a program to notify helping agencies when elderly or housebound persons fail to collect their mail.

(Above) Employee involvement/quality of work life teams are in place in most management sectional centers throughout the country. Improvements in communications and safety are attributed to these team efforts.

(Left) Postal employees are valuable members of their communities. On their own time, some tutor students through the Partnership in Education Program.

Balance Sheets
United States Postal Service

	Sept. 30, 1985	Sept. 30, 1984
Assets	(dollars in thousands)	
Current assets		
Cash	$ 274,274	$ 262,078
U.S. Government securities, at amortized cost which approximates market	2,369,701	2,290,478
Receivables		
U.S. Government—Notes 2 and 6	161,341	344,553
Foreign countries	197,332	214,861
Accrued interest	25,792	73,071
Other	56,662	52,569
	441,127	685,054
Less allowances	20,769	18,843
	420,358	666,211
Supplies, advances and prepayments	170,408	113,869
Total current assets	3,234,741	3,332,636
Other assets—Note 5	20,196	20,155
Property and equipment, at cost—Note 5		
Land	594,065	548,352
Buildings	4,223,712	3,969,337
Equipment	3,004,289	2,795,619
	7,822,066	7,313,308
Less allowances for depreciation	2,757,425	2,500,644
	5,064,641	4,812,664
Construction in progress	1,055,327	686,965
Leasehold improvements, net of amortization	113,719	109,512
	6,233,687	5,609,141
Deferred retirement costs—Note 4	17,571,593	12,597,726
	$27,060,217	$21,559,658

See notes to financial statements.

	Sept. 30, 1985	Sept. 30, 1984
Liabilities and equity	(dollars in thousands)	
Current liabilities		
Outstanding postal money orders	$ 302,310	$ 265,947
Compensation and employees' benefits	1,638,604	1,453,856
Amounts payable to other U.S. Government agencies	101,232	151,389
Other accounts payable and accrued expenses	659,132	749,701
Deferred revenue	564,815	493,003
Estimated prepaid postage	954,000	889,000
Current portion of long-term debt	91,800	373,000
Total current liabilities	4,311,893	4,375,896
Long-term debt, less current portion—Note 5	1,983,263	1,092,264
Other liabilities		
Amounts payable for retirement benefits—Note 4	17,134,576	12,363,202
Employees' accumulated leave—Note 6	776,121	734,557
Workers' Compensation claims–Note 2	2,776,000	2,663,000
Other	20,000	20,000
	20,706,697	15,780,759
Commitments and contingencies—Notes 4, 7 and 8		
Equity		
Capital contributions of the U.S. Government—Note 6	3,042,310	3,043,205
Deficit from operations since commencement on July 1, 1971	(2,983,946)	(2,732,466)
	58,364	310,739
	$27,060,217	$21,559,658

See notes to financial statements.

Statements of Operations and Changes in Equity United States Postal Service	Year Ended Sept. 30, 1985	Year Ended Sept. 30, 1984
	(dollars in thousands)	
Operating revenue	$27,736,071	$25,313,554
Appropriations for revenue forgone for certain classes of mail—Note 3	969,620	879,000
	28,705,691	26,192,554
Operating expenses		
Compensation and employees' benefits	24,349,087	22,157,261
Other	4,858,114	4,200,092
	29,207,201	26,357,353
Loss from operations	(501,510)	(164,799)
Interest income	309,870	364,427
	(191,640)	199,628
Interest expense	59,840	82,276
Net (loss) income	(251,480)	117,352
Equity—beginning of year	310,739	111,770
Capital contributions by U.S. Government, including $76,421,000 in 1984 for unfunded leave liability—Note 6	(895)	81,617
Equity—end of year	$ 58,364	$ 310,739

See notes to financial statements.

Statements of Changes in Financial Position United States Postal Service	Year Ended Sept. 30, 1985	Year Ended Sept. 30, 1984
Sources of working capital	(dollars in thousands)	
From operations		
Net (loss) income	($ 251,480)	$ 117,352
Charges to operations not requiring current outlays of working capital		
Amortization of deferred retirement costs	714,805	318,239
Depreciation and amortization	372,167	307,060
Provision for noncurrent Workers' Compensation claims	113,000	60,000
Increase in employees' accumulated leave	41,564	41,932
Total sources from operations	990,056	844,583
Increase in noncurrent amounts payable for retirement benefits	4,771,374	70,723
Increase in long-term debt	890,999	—
Capital contributions by U.S. Government	(895)	81,617
Total sources	6,651,534	996,923
Uses of working capital		
Additions to deferred retirement costs	5,688,672	362,692
Additions to property and equipment, net	996,713	859,970
Increase (decrease) in other assets	41	(1,158)
Decrease in long-term debt	—	298,591
Total uses	6,685,426	1,520,095
Increase in working capital deficiency	($ 33,892)	($ 523,172)
Changes in components of working capital		
Increase (decrease) in current assets		
Cash and U.S. Government securities	$ 91,419	$ 32,978
Receivables	(245,853)	210,526
Supplies, advances and prepayments	56,539	(143,903)
	(97,895)	99,601
Increase (decrease) in current liabilities		
Outstanding postal money orders	36,363	41,211
Compensation and employees' benefits	184,748	171,827
Amounts payable to other U.S. Government agencies	(50,157)	(11,038)
Other accounts payable and accrued expenses	(90,569)	22,710
Deferred revenue	71,812	59,063
Estimated prepaid postage	65,000	39,000
Current portion of long-term debt	(281,200)	300,000
	(64,003)	622,773
Increase in working capital deficiency	($ 33,892)	($ 523,172)

See notes to financial statements.

Notes to Financial Statements
United States Postal Service
September 30, 1985 and 1984

Note 1
Postal Reorganization and Accounting Policies

The United States Postal Service (Postal Service) commenced operations on July 1, 1971, in accordance with the provisions of the Postal Reorganization Act. Its initial capital consisted of the equity of the Government of the United States in the former Post Office Department, with assets carried at original cost less depreciation. All liabilities attributable to operations of the former Post Office Department remained liabilities of the U.S. Government, except that the unexpended balances of appropriations made to, held or used by, or available to the former Post Office Department and all liabilities chargeable thereto became assets and liabilities, respectively, of the Postal Service.

Buildings and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the lesser of the lease period or their useful life. Repairs and maintenance costs which do not materially extend the life of assets are expensed as incurred.

Research and development costs, which relate primarily to new equipment design, are expensed as incurred. Such costs amounted to approximately $25,000,000 in Fiscal Year 1985 and $26,000,000 in Fiscal Year 1984.

Workers' Compensation costs are recorded as an operating expense in the year of injury at the net discounted present value of the total estimated costs of claims. Estimates of the total costs of claims are based upon severity of injury, age, assumed mortality, experience trends and other factors.

Estimated prepaid postage represents the estimated amount of revenue collected prior to the end of the year for which services will be performed in the following year.

Amounts payable for retirement benefits reflect the Postal Service's legal obligation to the Civil Service Retirement and Disability Fund (the Fund) arising from increases in basic annual salary in an amount equal to the present value of the equal annual installments due to the Fund and payable over a 30-year time period. Amounts applicable to operations of future years are charged to deferred retirement costs and are subsequently amortized through operating expenses.

Note 2
Workers' Compensation

The Postal Service's Workers' Compensation Program is administered by the Department of Labor. Under the Postal Reorganization Act, all payments made by the Department of Labor for injuries experienced prior to July 1, 1971 remain liabilities of the U.S. Government to be funded by appropriations. As part of the Fiscal Year 1985 budget process, Congress approved appropriations to reimburse the Postal Service for amounts paid and expensed in Fiscal Years 1982, 1983 and 1984 for injuries experienced prior to July 1, 1971. Accordingly, the Postal Service established, at September 30, 1984, a receivable from the U.S. Government of approximately $121,000,000 as a recovery of amounts previously expensed. These appropriations, as well as an additional appropriation of $42,000,000 for Fiscal Year 1985, were received in Fiscal Year 1985.

Note 3
Operating Appropriations

The Postal Reorganization Act (the Act) appropriated to the Postal Service all revenue received by it and, additionally, authorized certain amounts to be appropriated "for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide." This appropriation was to continue on a declining basis through Fiscal Year 1984. After Fiscal Year 1984, the Postal Service could reduce the amount authorized to be appropriated if it found the amounts so determined were no longer required to operate in accordance with the policies of the Act. The Postal Service did not request or receive any public service appropriation during Fiscal Years 1984 and 1985.

Further, the Act authorized to be appropriated to the Postal Service each year a sum determined by the Postal Service to be equal to revenue forgone by it in providing certain mail services free or at reduced rates. Operating appropriations for revenue forgone received during Fiscal Years 1985 and 1984 totaled $969,620,000 and $879,000,000, respectively, including appropriations of $189,000,000 and $169,000,000, respectively, to offset the effect of Congress extending the period of phasing rates of certain classes of mail.

Note 4
Retirement Program

The Postal Reorganization Act provides that officers and career employees of the Postal Service shall be covered by the Civil Service Retirement Program (the Program) and the Postal Service shall withhold from pay and shall pay to the Civil Service Retirement and Disability Fund (the Fund) the amounts specified by the Program. The Postal Service and its employees contribute seven percent each of basic annual salary to the Fund. However, employees hired since January 1, 1984, pay 1.3 percent of basic annual salary to the Fund and 7.05 percent of gross wages for Social Security pending final determination of their retirement status.

In addition, unlike most government agencies, the Postal Service is liable for that portion of any estimated increase in the unfunded liability of the Fund attributable to Postal Service employee-management agreements that authorize increases in basic annual salary on which benefits payable from the Fund are computed. The estimated increase in the unfunded liability as determined by the Office of Personnel Management (OPM) is paid by the Postal Service in 30 equal annual installments with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System (currently five percent), with the first payment thereof due at the end of the fiscal year in which an increase in basic annual salary becomes effective. The total increase in the annual payment that resulted from increases in basic annual salary was approximately $318,998,000 and $58,115,000 for Fiscal Years 1985 and 1984, respectively. The Fiscal Year 1984 increase includes amounts applicable to retroactive pay adjustments granted under the final 1984 employee-management agreement.

Under the July 1981 and 1984 employee-management agreements, cost-of-living increases (COLAs) accumulated under the prior agreements become part of basic annual salary in two phases. For those employees who so elected and who were eligible for optional retirement at the contract date or within the next six years, the accumulated COLAs become part of basic annual salary during the fiscal year following the contract date. For all other employees, the accumulated COLAs are included in basic annual salary under the 1981 and 1984 agreements in October 1984 and October 1987, respectively. Whether COLAs to be paid in Fiscal Years 1985, 1986 and 1987 under the provisions of the 1984 employee-management agreements will be included in basic annual salary will be determined in future contract negotiations.

In Fiscal Year 1984, OPM informed the Postal Service that, with respect to the COLAs scheduled for inclusion in basic annual salary in October 1984 under the provisions of the 1981 employee-management agreements, it would consider employee and employer contributions applicable to these COLAs since November 1981, and related interest, in determining the unfunded liability beginning in Fiscal Year 1985. Postal Service management reviewed OPM's position and accepted it in Fiscal Year 1985 for purposes of determining the unfunded liability and annual payment thereon. Management expects OPM's position to apply also to accumulated COLAs scheduled to be included in basic annual salary in October 1987 under the terms of the 1984 employee-management agreements.

The increases in the unfunded liability and annual payment for retirement benefits in Fiscal Year 1985 include $3,212,987,000 and $199,056,000, respectively, due to the addition of accumulated COLAs to basic annual salary in October 1984 and $1,011,798,000 and $62,685,000, respectively, due to the addition of accumulated COLAs to basic annual salary in April 1985.

The estimated future minimum payments required to fund amounts payable for retirement benefits at September 30, 1985 are as follows:

Fiscal Year	Amount
1986	$ 1,294,452,000
1987	1,294,452,000
1988	1,294,452,000
1989	1,294,452,000
1990	1,294,452,000
Thereafter	24,359,978,000
	30,832,238,000
Less amount representing interest and the portion classified as a current liability	13,697,662,000
	$17,134,576,000

Aggregate retirement costs for Fiscal Years 1985 and 1984 were $2,260,000,000 and $1,847,000,000, respectively, including $1,251,793,000 and $949,836,000 attributable to amortization of deferred retirement costs and interest on the unfunded liability.

Note 5
Long-Term Debt and Interest Costs

The Postal Reorganization Act authorizes the Postal Service to issue and sell obligations not to exceed $10,000,000,000 outstanding at any one time. The net increase outstanding in any one year shall not exceed $1,500,000,000 for capital improvements and $500,000,000 for operating expenses. Such obligations shall not be obligations of the U.S. Government unless the Secretary of the Treasury, upon request of the Postal Service, determines that it would be in the public interest to pledge the full faith and credit of the Government of the United States.

Long-term debt consists of the following:

	Sept. 30, 1985	Sept. 30, 1984
6⅞% Postal Service Bonds, Series A, due February 1, 1997	$ 250,000,000	$ 250,000,000
Notes payable to Federal Financing Bank		
8.20% payable $20,000,000 each May 31, with balance due May 31, 1985	—	320,000,000
8.075% payable $32,000,000 each year to May 31, 2000	480,000,000	512,000,000
7.80% payable $15,000,000 each year to May 31, 2001	240,000,000	255,000,000
10.475% payable $38,800,000 each year to May 31, 2010	970,000,000	—
Mortgage notes payable including interest of 4% to 15% maturing from Fiscal Years 1986 through 2009 secured by land, buildings and equipment with a carrying amount of $194,000,000 (aggregate annual installments approximate $6,000,000 with approximately $86,000,000 due in Fiscal Year 1988)	135,063,000	128,264,000
	2,075,063,000	1,465,264,000
Less current portion	91,800,000	373,000,000
	$1,983,263,000	$1,092,264,000

On September 30, 1985, the Postal Service received a loan of $970,000,000 from the Federal Financing Bank, the proceeds of which are to be used to fund capital investments and accelerate mechanization efforts. The Board of Governors authorized this loan, which requires periodic principal payments of $38,800,000 for 25 years.

The 6⅞% Postal Service Bonds, Series A, were issued under a Trust Indenture dated February 1, 1972, and are secured by a first lien on the revenue, income, fees, rents, appropriations and other receipts of the Postal Service; the proceeds of all obligations issued by the Postal Service; and all sinking and improvement funds established pursuant to the Indenture. On July 31 of each year, the Postal Service is required to deposit in a sinking and improvement fund the sum of $10,000,000 either in cash or reacquired Series A Bonds. The Trust Indenture further provides, however, that, at the option of the Postal Service, such sinking fund requirements may be applied to the payment of costs of capital additions or improvements to properties of the Postal Service. Since the commencement of the sinking fund in 1978, the Postal Service has applied $66,700,000 to the construction of mail facilities. The balance in the sinking fund ($13,300,000 in 1985 and $10,000,000 in 1984) is classified with other assets in the accompanying balance sheets. The bonds are redeemable prior to maturity, at the option of the Postal Service, on or after February 1, 1982, at the principal amount plus accrued interest.

At September 30, 1985, the maturities of long-term debt, including sinking fund requirements, are as follows:

Fiscal Year	Amount
1986	$ 101,800,000
1987	101,800,000
1988	187,800,000
1989	101,800,000
1990	101,800,000
Thereafter	1,480,063,000
	$2,075,063,000

Total interest costs incurred during Fiscal Years 1985 and 1984 were $107,740,000 and $115,581,000, respectively, of which $47,900,000 and $33,305,000, respectively, were capitalized as part of the cost of newly constructed property and equipment.

Note 6
Accumulated Annual Leave

Employees are permitted to accumulate certain unused annual leave which is payable when taken, upon severance of employment or upon retirement.

The former Post Office Department (POD) accrued such accumulated annual leave, and at July 1, 1971 the liability was recorded by the Postal Service.

For Fiscal Years 1972 through 1981, the Postal Service was appropriated transitional funds to cover one-twelfth of the annual leave liability carried forward at July 1, 1971. The Omnibus Budget Reconciliation Act of 1981 deferred until Fiscal Year 1985 the Fiscal Years 1982, 1983 and 1984 authorizations for transitional appropriations of annual leave. As part of the Fiscal Year 1985 budget process, Congress approved appropriations to the Postal Service of $76,421,000 covering the remaining POD liability for accumulated annual leave. This amount was treated as a receivable by the Postal Service at September 30, 1984 and was received during Fiscal Year 1985.

Employees are permitted to accumulate unused sick leave but such amounts are not vested; therefore, sick leave is expensed when paid.

Note 7
Commitments

At September 30, 1985, the estimated cost to complete approved Postal Service capital projects was approximately $904,000,000.

Total rental expense for the years ended September 30, 1985 and 1984 is summarized as follows:

	1985	1984
Noncancellable real estate leases, including related taxes (1985—$33,400,000; 1984—$32,500,000)	$337,500,000	$311,800,000
Facilities leased from the General Services Administration subject to 30-day notice of cancellation	39,100,000	33,700,000
Equipment and other short-term rentals	90,900,000	76,600,000
	$467,500,000	$422,100,000

At September 30, 1985, the future minimum rentals for all noncancellable leases approximate the following:

Fiscal Year	Amount
1986	$ 285,000,000
1987	272,000,000
1988	234,000,000
1989	195,000,000
1990	157,000,000
Thereafter	536,000,000
	$1,679,000,000

Most of these leases contain renewal options for periods ranging from three to twenty years. Certain noncancellable real estate leases have options to purchase the facilities at prices specified in the leases.

Note 8
Contingencies

Several equal employment opportunity, employee compensation and postal rate class action lawsuits are pending against the Postal Service. In addition, there are certain pending suits and claims resulting from traffic accidents involving postal vehicles and injuries on postal properties, suits involving personal claims, and suits and claims arising out of postal contracts.

In the opinion of management and General Counsel, adequate provision has been made for amounts which may become due under the suits, claims and proceedings discussed in the preceding paragraph, and the likelihood of the aggregate final settlements of the above suits, claims and proceedings having a material effect on the accompanying financial statements is remote.

Report of Independent Accountants

Board of Governors
United States Postal Service

We have examined the accompanying balance sheets of the United States Postal Service at September 30, 1985 and 1984, and the related statements of operations and changes in equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of the United States Postal Service at September 30, 1985 and 1984, and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

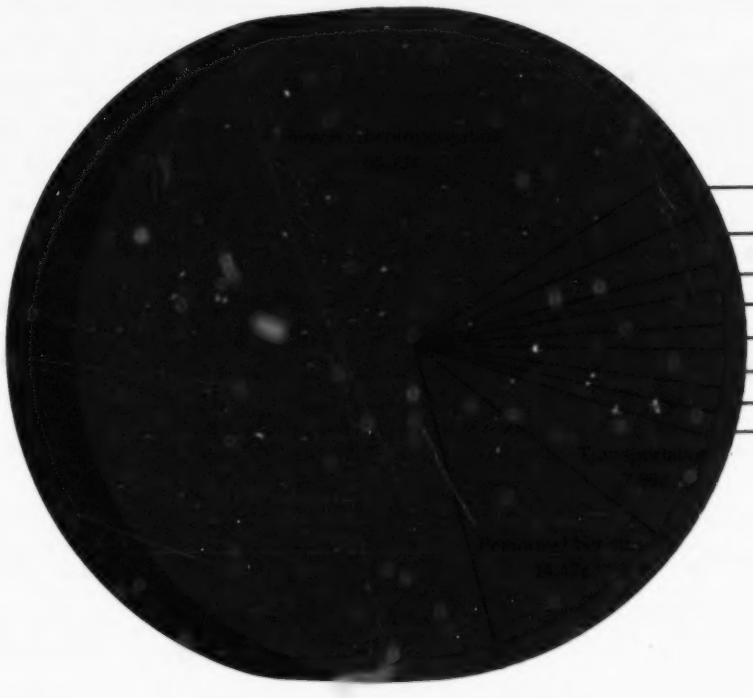
Arthur Young & Company
Washington, D.C.
November 15, 1985

Financial History Summary

	1985	1984	1983	1982	1981
Statement of Operations			(dollars in thousands)		
Operating revenues	$27,736,071	$25,313,554	$23,581,667	$22,599,937	$19,133,041
Public service appropriation*	0	0	0	12,140	486,000
Revenue forgone appropriation*	969,620	879,000	789,000	694,670	789,108
Total income	28,705,691	26,192,554	24,370,667	23,306,747	20,408,149
Salaries and benefits	24,349,087	22,157,261	20,070,241	19,094,495	18,017,766
Other expenses	4,858,114	4,200,092	4,012,832	3,731,722	3,351,373
Total operating expenses	29,207,201	26,357,353	24,083,073	22,826,217	21,369,139
Operating income (loss)	(501,510)	(164,799)	287,594	480,530	(960,990)
Other income, net	250,030	282,151	328,732	321,046	373,251
Net income (loss)	($ 251,480)	$ 117,352	$ 616,326	$ 801,576	($ 587,739)
Balance Sheet					
Assets					
Current assets	$ 3,234,741	$ 3,332,636	$ 3,233,035	$ 3,352,598	$ 2,684,426
Property, plant and equipment, deferred retirement costs and other assets	23,825,476	18,227,022	17,630,817	16,453,906	14,802,690
Total assets	$27,060,217	$21,559,658	$20,863,852	$19,806,504	$17,487,116
Liabilities					
Current liabilities	$ 4,311,893	$ 4,375,896	$ 3,753,123	$ 3,818,819	$ 3,756,401
Other liabilities	20,706,697	15,780,759	15,608,104	15,029,958	13,502,764
Long-term debt—bonds, notes and mortgages	1,983,263	1,092,264	1,390,855	1,462,873	1,534,651
Equity (deficiency)	58,364	310,739	111,770	(505,146)	(1,306,700)
Total liabilities and equity (deficiency)	$27,060,217	$21,559,658	$20,863,852	$19,806,504	$17,487,116
Analysis of Changes in Equity (Deficiency)					
Beginning balance	$ 310,739	$ 111,770	($ 505,146)	($ 1,306,700)	($ 718,931)
Net income (loss)	(251,480)	117,352	616,326	801,576	(587,739)
Capital contributions	(895)	81,617	590	(22)	(30)
Ending balance	$ 58,364	$ 310,739	$ 111,770	($ 505,146)	($ 1,306,700)

**The United States Postal Service was established July 1, 1971. Prior to 1972, government appropriations were made to cover entire Post Office Department operations and capital commitments. See Note 3 of financial statements.*

Analysis of Expenses
Fiscal Year 1985


Rent, communications and utilities 2.49¢
Other services 2.55¢
Interest on notes and bonds .20¢
Supplies and materials 1.49¢
Printing .24¢
Depreciation and write-offs 1.27¢
Travel of persons .40¢
Insurance claims and indemnities .17¢

Financial Operations

Source of Income	Millions of Dollars	
Mail revenue		
Postage	$25,883.4	
Federal government payments	934.4	$26,817.8
Special services		918.3
Government appropriations		
Revenue forgone subsidy for free and reduced rate mail	969.6	969.6
Other income, net		250.0
Total income		28,955.7
Total operating expenses		29,207.2
Net loss		$ 251.5

Revenue Forgone Subsidy*
Fiscal Year 1985

Class of Service	Total Income of Service	Income from Revenues	Income from Subsidy	Subsidy as % of Income
		(dollars in millions)		
First-Class Mail	$16,739.9	$16,739.9	none	none
Priority Mail	960.0	960.0	none	none
Express Mail	543.8	543.8	none	none
Mailgram	14.9	14.9	none	none
Second-Class Mail				
Within-the-county	$ 147.1	$ 68.6	$ 78.5	53.4
Outside-the-county				
Nonprofit publications	220.0	144.5	75.5	34.3
Classroom publications	6.1	3.3	2.8	45.9
Regular-rate publications	899.3	862.6	36.7	4.1
Fees	9.8	9.8	none	none
Transient mail	4.1	4.1	none	none
Total Second-Class Mail	$ 1,286.4	$ 1,092.9	$ 193.5	15.0
Third-Class Mail				
Single-piece rate	$ 148.8	$ 148.8	none	none
Regular bulk rate	4,135.6	4,135.6	none	none
Nonprofit bulk rate	1,208.8	560.7	$ 648.1	53.6
Fees	41.5	41.5	none	none
Total Third-Class Mail	$ 5,534.7	$ 4,886.6	$ 648.1	11.7
Fourth-Class Mail				
Parcels (zone rate)	$ 404.6	$ 404.6	none	none
Bound printed matter	119.5	119.5	none	none
Special-rate matter	199.3	199.3	none	none
Library materials	77.8	36.3	$ 41.5	53.3
Fees	3.3	3.3	none	none
Total Fourth-Class Mail	$ 804.5	$ 763.0	$ 41.5	5.2
U.S. Government (franked and penalty) mail	$ 934.4	$ 934.4	none	none
Free mail for the blind and handicapped	34.5	none	$ 34.5	100.0
International mail	882.3	882.3	none	none
Totals	$27,735.4	$26,817.8	$ 917.6	3.3
Adjustment for prior years			52.0	
Total			$ 969.6	

**Revenue forgone is that revenue given up or "forgone" by the Postal Service as a result of providing mail service at a reduced rate. This revenue loss, which is the difference between the reduced rate and the otherwise applicable rate, is given to the Postal Service by an annual appropriation of Congress, as specified in the 1970 Postal Reorganization Act.*

Operating Statistics

Classes of Mail	1985	1984	1983	1982	1981
			(in thousands)		
First-Class					
Pieces, number	72,440,277	68,428,570	64,246,880	62,200,212	61,410,172
Weight, pounds	2,662,593	2,511,893	2,341,830	2,238,555	2,214,731
Revenue	$16,739,909	$15,215,938	$14,255,397	$13,747,357	$11,457,145
Priority Mail					
Pieces, number	307,815	293,442	271,355	258,674	269,278
Weight, pounds	672,446	656,085	587,607	582,084	634,688
Revenue	$ 959,989	$ 928,436	$ 848,805	$ 823,065	$ 758,268
Express Mail					
Pieces, number	45,250	43,907	36,798	28,446	23,848
Weight, pounds	144,288	145,544	108,971	106,872	93,179
Revenue	$ 543,818	$ 489,864	$ 422,257	$ 339,188	$ 269,658
Mailgram					
Pieces, number	31,266	34,329	36,588	42,075	42,081
Revenue	$ 14,906	$ 12,811	$ 13,799	$ 15,997	$ 15,517
Second-Class					
Pieces, number	10,379,515	9,522,476	9,219,753	9,526,570	9,956,032
Weight, pounds	3,965,545	3,852,029	3,526,097	3,481,712	3,483,201
Revenue	$ 1,092,927	$ 1,025,020	$ 958,369	$ 961,075	$ 885,159
Third-Class					
Pieces, number	52,170,257	48,248,714	40,734,719	36,719,323	33,607,405
Weight, pounds	6,452,647	5,786,583	5,062,073	4,295,638	3,758,295
Revenue	$ 4,886,566	$ 4,240,832	$ 3,676,775	$ 3,303,187	$ 2,643,363

Classes of Mail	1985	1984	1983	1982	1981
			(in thousands)		
Fourth-Class					
Pieces, number	575,680	599,037	567,529	596,699	589,862
Weight, pounds	2,156,461	2,289,263	2,248,224	2,445,945	2,479,966
Revenue	$ 763,003	$ 773,988	$ 753,168	$ 787,649	$ 785,656
International Surface					
Pieces, number	327,449	352,481	385,137	404,619	412,736
Weight, pounds	153,644	165,590	166,609	174,527	160,123
Revenue	$ 212,753	$ 212,862	$ 222,872	$ 233,880	$ 197,308
International Air					
Pieces, number	501,955	542,359	519,684	522,922	472,773
Weight, pounds	65,205	66,125	63,869	56,855	52,055
Revenue*	$ 669,498	$ 645,711	$ 650,748	$ 647,651	$ 538,093
Penalty					
Pieces, number	2,608,045	2,523,178	2,775,321	2,946,379	2,898,082
Weight, pounds	469,530	499,673	487,156	513,046	568,277
Revenue	$ 848,896	$ 788,894	$ 841,012	$ 818,472	$ 706,463
Franked					
Pieces, number	682,914	923,955	549,247	772,696	400,647
Weight, pounds	14,847	19,744	14,178	20,646	14,164
Revenue	$ 85,529	$ 111,646	$ 72,197	$ 99,309	$ 53,967
Free for the Blind					
Pieces, number	27,533	32,172	38,398	30,590	47,484
Weight, pounds	25,375	29,595	37,797	27,898	56,103
Totals					
Pieces, number	140,097,956	131,544,620	119,381,409	114,049,205	110,130,400
Weight, pounds	16,782,581	16,022,124	14,644,411	13,943,778	13,514,782
Revenue	$26,817,794	$24,446,002	$22,715,399	$21,776,830	$18,310,597

**Includes transit special handling and miscellaneous revenue.*

Special Services	1985	1984	1983	1982	1981
			(in thousands)		
Registry					
Number of articles (paid and free)	51,123	54,735	53,950	53,836	56,191
Revenue	$ 164,038	$ 162,979	$ 164,882	$ 157,888	$ 168,460
Certified					
Number of pieces	130,698	124,112	111,255	105,708	97,185
Revenue	$ 174,702	$ 155,998	$ 140,538	$ 136,009	$ 121,826
Insurance					
Number of articles	43,372	46,960	48,749	47,498	51,993
Revenue	$ 51,043	$ 54,229	$ 55,505	$ 53,374	$ 52,451
Collection-on-Delivery					
Number of articles	11,022	11,960	11,819	13,333	13,004
Revenue	$ 21,304	$ 23,030	$ 21,906	$ 25,560	$ 23,480
Special Delivery					
Number of articles	15,373	19,044	22,055	25,837	33,160
Revenue	$ 40,496	$ 40,681	$ 47,416	$ 55,440	$ 69,736
Money Orders					
Number issued	117,792	115,550	115,073	109,479	117,031
Revenue fees	$ 125,935	$ 131,575	$ 124,200	$ 121,785	$ 111,205
Other					
Box rents revenue	$ 229,891	$ 188,055	$ 202,050	$ 168,049	$ 168,339
Stamped envelope revenue	16,831	13,883	16,826	18,927	16,398
Other revenue, net	94,037	97,122	92,945	86,075	90,549
Totals					
Special services revenue	$ 918,277	$ 867,552	$ 866,268	$ 823,107	$ 822,444
Mail revenue	26,817,794	24,446,002	22,715,399	21,776,830	18,310,597
Operating revenue	$27,736,071	$25,313,554	$23,581,667	$22,599,937	$19,133,041

Employees	1985*	1984*	1983*	1982*	1981*
Headquarters employees	3,077	3,012	2,993	2,893	2,939
Field regular employees					
Regional and other field units	6,536	6,524	6,441	6,339	6,412
Inspection Service (field)	4,370	4,510	4,655	4,977	5,133
Postmasters	27,811	28,140	28,266	28,514	28,711
Post office supervisors and technical personnel	46,279	44,515	41,659	40,673	40,053
Post office clerks and mail handlers	248,939	235,172	229,141	231,802	232,133
City delivery carriers and vehicle drivers	179,198	171,434	166,317	165,087	165,995
Rural delivery carriers	35,206	34,679	34,438	33,987	33,370
Special delivery messengers	1,832	1,790	1,815	1,843	1,929
Building and equipment maintenance personnel	28,477	27,524	27,193	26,268	25,495
Vehicle maintenance facility personnel	4,218	4,119	4,023	4,034	3,984
Total full-time employees	585,943	561,419	546,941	546,417	546,154
Other employees	130,055	116,585	109,459	105,510	106,630
Rural carrier substitutes	4,716	6,687	9,324	14,375	16,866
Rural carrier reliefs**	23,776	17,432	13,121	8,820	—
Grand total	744,490	702,123	678,845	675,122	669,650

Offices, Stations and Branches	1985	1984	1983	1982	1981
Number of post offices	29,557	29,750	29,990	30,155	30,242
Number of branches and stations					
Classified branches and stations	4,224	4,184	4,160	4,129	4,109
Contract branches and stations	3,856	3,744	3,626	3,508	3,421
Community post offices	1,690	1,708	1,669	1,655	1,685
Total	9,770	9,636	9,455	9,292	9,215
Grand total	39,327	39,386	39,445	39,447	39,457

Figures have been revised to conform with current method of counting employees using the on-rolls and paid employee statistics database.

**Rural carrier reliefs are a new kind of casual employee created by the 1981-84 agreement between the Postal Service and the National Rural Letter Carriers' Association and are now included in the 1982-85 totals.*

Analysis of Mail Volume
Fiscal Year 1985

Composition of Mail

Pieces of Mail

Mail Classification (in billions)	1985	1984	Percent Change
First-Class	72.44	68.43	5.9
Second-Class	10.38	9.52	9.0
Third-Class	52.17	48.25	8.1
Fourth-Class	0.58	0.60	−3.9
Penalty and franked	3.29	3.45	−4.5
International	0.83	0.89	−7.3
All other	0.41	0.40	2.0
Total mail	140.10	131.54	6.5

Senior USPS Officials
Fiscal Year 1985

Paul N. Carlin
Postmaster General

Jackie A. Strange
Deputy Postmaster General

Louis A. Cox
General Counsel

Charles R. Clauson
Chief Postal Inspector

Michael S. Coughlin
Senior Assistant Postmaster General
Employee and Labor Relations Group

William R. Cummings
Senior Assistant Postmaster General
Finance Group

Mitchell H. Gordon
Senior Assistant Postmaster General
Administration Group

James V. Jellison
Senior Assistant Postmaster General
Operations Group

Jerry K. Lee, Sr.
Senior Assistant Postmaster General
Management Information and
Research Technology Group

Fletcher F. Acord
Regional Postmaster General
Central Region

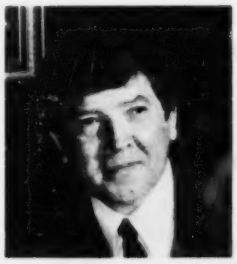
Joseph R. Caraveo
Regional Postmaster General
Western Region

Edward E. Horgan, Jr.
Regional Postmaster General
Eastern Region

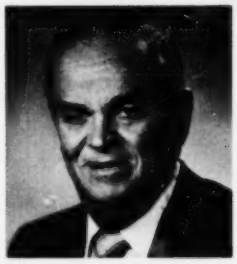
John G. Mulligan
Regional Postmaster General
Northeast Region

Harry C. Penttala
Regional Postmaster General
Southern Region

Board of Governors
Fiscal Year 1985



John R. McKean, Chairman of the Board, was appointed a Governor in 1982 for a term expiring December 8, 1991. He is President of John R. McKean Accountants in San Francisco, California.



George W. Camp of Atlanta, Georgia, Vice-Chairman of the Board, became a Governor in 1979 for a term expiring December 8, 1985. He is a retired postal executive with more than 36 years of federal service.

John N. Griesemer, President of the Griesemer Stone Company in Springfield, Missouri, became a Governor in 1985 for a term expiring December 8, 1986.

Ruth O. Peters, of Arlington, Virginia, a retired postal executive, was appointed to the Board in 1983 for a term expiring December 8, 1987. She is chairman of the Board's Technology and Development Committee.

John L. Ryan, Vice President of MET-PRO Corporation and General Manager of its Dean Pump Division in Indianapolis, Indiana, became a postal Governor in 1983 for a term expiring December 8, 1989. He chairs two Board committees: Postal Rates and Revenues, and Employment Responsibilities and Labor Relations.

William J. Sullivan, Vice-Chancellor and Treasurer of the University of Maine, was appointed to the Board in 1979 for a term scheduled to expire December 8, 1984. As provided by law, he continued to serve until December 8, 1985 pending the confirmation of a successor. He chaired the Board's Audit and Finance Committee.

Peter E. Voss, founder and Chairman of the Northeastern Group and President of Midland Engineering, Inc., in Canton, Ohio, was appointed to the Board in 1982 for a term expiring December 8, 1990. He is chairman of the Board's Planning and Executive Resources Committee.

Paul N. Carlin served as Postmaster General from January 1, 1985 to January 6, 1986. A postal executive since 1969, he served in a variety of positions including Regional Postmaster General in the Eastern and Central Regions.

Jackie A. Strange, named Deputy Postmaster General by the Board on January 8, 1985, is the chief operating officer and alternate chief executive officer of the Postal Service. She joined the Postal Service in 1947.

At the close of Fiscal 1985, there were three vacancies on the Board for terms expiring in 1988, 1992 and 1993.